

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 INR-01 INRE-00

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O R 141658Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5448

INFO AMEMBASSY BONN IMMEDIATE

AMEMBASSY TOKYO

S E C R E T SECTION 01 OF 02 OECD PARIS 04057

LIMDIS

GREENBACK

PASS TREASURY

FROM COOPER

E.O. 11652: GDS

TAGS: EFIN, OECD

SUBJECT: SOLIDARITY FUND DISCUSSIONS

1. AD HOC WORKING PARTY TO PREPARE DRAFT AGREEMENT HELD DISCUSSION OF THE QUESTIONS OF AMENDMENT, RENEWAL OF THE AGREEMENT, INCREASE IN QUOTAS, AND NAME OF THE FACILITY.

2. GERMANS OBJECTED TO INCLUSION IN AGREEMENT ITSELF OF PROVISIONS ON INCREASE IN QUOTA AND RENEWAL OF THE AGREEMENT AND WOULD CONSENT ONLY TO PROVISION FOR AMENDMENT BY UNANIMOUS CONSENT. EVEN THIS LATTER PROVISION THEY INSISTED ON PUTTING IN BRACKETS. GERMAN VIEW IS THAT THE \$25 BILLION FUND IS FOR TWO YEARS AND CONSIDERING THE SHORT-TERM NATURE OF THE ARRANGEMENT, NO SPECIAL PROVISIONS ARE NEEDED FOR INCREASE IN QUOTAS OR FOR RENEWAL OF THE ARRANGEMENT. PRIVATELY MULLER-ENDERS HAS INDICATED THAT REAL PROBLEM IS CONSISTENCY

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BETWEEN WHAT IS IN AGREEMENT AND WHAT FINANCE MINISTER

APEL HAS SAID TO BUNDESTAG.

3. JAPANESE STRONGLY SUPPORTED GERMAN VIEWS. JAPANESE ACKNOWLEDGED THAT INITIAL US PROPOSAL CONTEMPLATED INCREASES IN AMOUNTS OF QUOTAS IN CASE OF NEED, BUT IN REMARKABLY VITUPERATIVE STATEMENT SAID THAT THE GROUP DID NOT HAVE TO "SWALLOW" THE AMERICAN PROPOSAL. HE SAID THAT THE FUND WAS NOT AN AMERICAN SCHEME AND THE GROUP DID NOT HAVE TO ACCEPT AN AMERICAN PROPOSAL.

4. THE GERMANS AND JAPANESE POSITION WAS SUPPORTED BY THE AUSTRALIANS, FRENCH, SWEDES AND SWISS. FRENCH SAID THAT WHILE THEY ACCEPTED IN PRINCIPLE THE AMERICAN IDEA THAT QUOTAS COULD BE INCREASED IN CASE OF NEED, NO EXPLICIT PROVISION IN THE AGREEMENT SHOULD BE MADE FOR THIS CONTINGENCY AND THAT ANY CHANGES SHOULD BE MADE BY AMENDMENT WITH UNANIMOUS CONSENT OF ALL COUNTRIES.

5. US MADE STRONG STATEMENT IN SUPPORT OF PROVISIONS FOR INCREASING QUOTA IN CASE OF NEED, POINTING OUT INTER ALIA THAT UNLESS WE KNEW NOW THAT QUOTAS COULD BE INCREASED IN CASE OF NEED, THE FACILITY WOULD BE HAMPERED IN ACTING TO MEET NEEDS BECAUSE IT WOULD BE CONSTRAINED TO RATION THE \$25 BILLION OVER TWO YEARS. US VIEW IS SUPPORTED BY BELGIANS, DANES, GREEKS, IRISH, ITALIANS, NEW ZEALANDERS, SPANISH AND BRITISH.

6. AFTER DISCUSSION, OUTLINE NOW STANDS AS FOLLOWS:

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S E C R E T SECTION 02 OF 02 OECD PARIS 04057

LIMDIS, GREENBACK

A) BRACKETED PROVISION ON AMENDMENT BY UNANIMOUS
DECISION OF ALL MEMBERS,

B) BRACKETED PROVISION ON INCREASE IN QUOTAS WHICH
WAS PROPOSED BY US WHICH READS AS FOLLOWS: "THE
GOVERNING COMMITTEE MAY RECOMMEND AN INCREASE IN THE
TOTAL OF MEMBERS' QUOTAS. NO CHANGE IN ANY MEMBER'S
QUOTA MAY BE MADE WITHOUT ITS PERMISSION AND ANY SUCH
CHANGE WOULD BECOME EFFECTIVE ONLY AFTER THE MEMBER
CONCERNED HAS NOTIFIED THE FUND THAT ANY LEGISLATIVE
REQUIREMENTS FOR THE CHANGE IN ITS QUOTA HAVE BEEN
FULFILLED."

C) BRACKETED PROVISION ON RENEWAL BY 90 MAJORITY VOTE.

7. ON QUESTION OF NAME, US INDICATED THAT IT PREFERRED
SOLIDARITY FUND BUT COULD SUPPORT "FINANCIAL SUPPORT
FUND" PROVIDED THERE WAS A SATISFACTORY RESOLUTION
OF OTHER BRACKETED SECTIONS AND IN PARTICULAR PROVISIONS
ON INCREASES IN QUOTAS. OTHER DELEGATIONS, EXCEPT
FRANCE AND TURKEY, EXPRESSED PREFERENCE FOR FINANCIAL
SUPPORT FUND. NAME OF SOLIDARITY FUND REMAINS UN-
ACCEPTABLE TO JAPANESE AND AUSTRALIANS AND PERHAPS
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OTHER MEMBERS. GERMANY COULD ACCEPT SOLIDARITY FUND
ALTHOUGH PREFERS OTHER NAMES.

8. OECD STAFF ON INSTRUCTIONS FROM SECRETARY-GENERAL
SUGGESTED THAT THE FUND BE CALLED THE "OECD FINANCIAL
SUPPORT FUND". THIS PROPOSAL WAS STRONGLY SUPPORTED
BY BELGIANS AND FRENCH. US RESERVED ITS POSITION AND
REQUESTED SEPARATE BRACKETS AROUND OECD. SOME OTHER
DELEGATIONS EXPRESSED DOUBTS ON OECD PROPOSAL ON
GROUNDS THAT NOT ALL OECD MEMBERS MAY BE MEMBERS OF
THE FUND, IT WAS INCONSISTENT WITH SEPARATE LEGAL
PERSONALITY FOR FUND, AND SUGGESTED LONGER TERM
INSTITUTION THAN WAS INTENDED.
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